

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of SAN DIEGO GAS & ELECTRIC COMPANY (U 902-E) for Authority to Make Various Electric Rate Design Changes, Close Certain Rates, and Revise Cost Allocation Among Customer Classes Effective, January 1, 2006.

Application 05-02-019
(Filed February 18, 2005)

**ASSIGNED COMMISSIONER AND ADMINISTRATIVE LAW JUDGE'S
SCOPING MEMO AND RULING**

Pursuant to Article 2.5 of the Commission's Rules of Practice and Procedure (Rules)¹, this Scoping Memo and Ruling addresses issues, schedule and other matters necessary to scope this proceeding.

1. Background

San Diego Gas & Electric Company (SDG&E) filed a Rate Design Window Application for authority to make various rate design changes, and to update specific marginal costs, effective January 1, 2006, pursuant to the extensions granted in letters from the Executive Director dated January 26, 2005 and October 15, 2004 and otherwise in accordance with the schedule adopted in Commission decision (D.) 89-01-040, as modified by D.02-10-039, D.95-09-020 and D.94-08-023. SDG&E identified three primary objectives for the application:

¹ The Commission's Rules are available on the Commission's web site, (<http://www.cpuc.ca.gov/>), click on "Laws, Rules, Procedures."

- a. adjust electric revenue allocations and rates towards “cost-based levels” arguing that there is a need to reduce “cross-subsidies in the rates of non-residential customer classes.”
- b. provide customers “more cost-based commodity price signals” which SDG&E proposes to accomplish by transferring what it has identified as any “remaining cross-subsidies” to a new “non-bypassable charge”
- c. ensure all customer classes bear responsibility for the residential subsidies mandated by Assembly Bill 1X (“AB1X”), including Community Choice Aggregation and Direct Access customers.

By Notice dated March 29, 2005, the Commission set a prehearing conference (PHC) for April 13, 2005. On April 13, 2005, the PHC was held to determine parties, create the service list, identify issues, consider the schedule, and address other matters as necessary to proceed with this application.

2. Categorization

Applicant proposed that this proceeding be categorized as ratesetting. The Commission preliminarily categorized this matter as ratesetting in Resolution ALJ 176-3148, dated February 24, 2005. The categorization of this proceeding is determined herein to be ratesetting. This is the Assigned Commissioner’s Ruling on category, and appeals, if any, must be filed and served within 10 days. (*See* Rule 6.4.)

3. Hearing and Record; Restrictions on Ex Parte Communications

Applicant proposed that this proceeding might include a hearing. The Commission preliminarily determined that this matter would require hearing. (*See* Resolution ALJ 176-3148.) This Scoping Memo adopts a schedule that includes formal hearing. (*See* Rules 6(a)(3) and 6.1(a).) In a ratesetting proceeding involving hearings, ex parte communications are permitted only if

consistent with certain restrictions, and are subject to reporting requirements.
(*See* Rules 7(c) and 7.1.)

The record will be composed of all filed and served documents. It will also include testimony and exhibits received at hearing.

Parties shall use the procedures contained in Resolution ALJ-164 to seek resolution of discovery disputes.²

4. Scope and Issues

The purpose of this proceeding is to establish just and reasonable rates on an overall (total utility) revenue neutral basis using the Commission authorized 2006 revenue requirement. The three general subjects of this rate design window application are marginal costs, revenue allocation, and rate design. Based on SDG&E's statement of proposed issues³ in the application, Protests⁴ by Office of Ratepayer Advocates' (ORA), the Utility Consumers' Action Network (UCAN) and the Western Manufactured Housing Community Association (Manufactured Housing), plus the parties' statements at the prehearing conference, the 2006 issues can be reasonably identified as:

- 1) Adjust electric revenue allocations and rates toward cost-based levels addressing the asserted cross-subsidies included in non-residential customer classes' rates.
- 2) Account for DWR Above-Market Costs.

² This Resolution may be accessed via the following link:

http://www.cpuc.ca.gov/WORD_PDF/FINAL_RESOLUTION/2538.doc

³ (*See* Rules 6.3.)

⁴ All three protests were timely filed on March 24, 2005, March 18, 2005, and March 23, 2005, respectively.

- 3) Allocation of Public Purpose Program Costs.
- 4) Application of Allocation Methodology.
- 5) Establish a Master Meter Discount where there is sub-metered service
See D. 04-04-043, D. 04-11-033 and D. 95-02-090/D. 95-08-056.
- 6) Consider authorization of a new non-by-passable charge for costs
associated with AB 1X - the proposed Total Rate Adjustment
Component.
- 7) Analyze the Marginal costs of generation, distribution, and customer
services.
- 8) Determine the allocation of Marginal costs of generation, distribution,
and customer services and the imposition of a cap.
- 9) Consider changes to the residential service rates including:
elimination of the distribution rate components in residential rates for
usage above 130 percent of baseline, consolidation of residential tier 4
and tier 5 commodity rates; and changes to Schedule E-LI for CARE
customers.
- 10) Consider the use of full equal-percentage of marginal cost for
generation costs.
- 11) Consider changes to: small commercial customer charges; customer
charge for Schedule PA; and Schedule S distribution charge.
- 12) Consider changes to summer/winter price differential for small
commercial customers.
- 13) Consider closure and cancellation of Schedule AL-TOU-CP
- 14) Consider the cost allocation and rate design of the Day-Of Reliability
Tariff (CPP-E) adopted in D. 05-04-053.

SDG&E suggests that the Public Purpose Program costs are more
appropriately considered in either the Revenue Allocation Proceeding or the
proceedings directly adopting Public Purpose Programs because “the

appropriateness of who should be paying for these programs is very closely related with the nature of the activity that's being funded.”⁵ We understand SDG&E’s viewpoint, but we believe that these costs should be integral to the cost allocation and rate design we will adopt in this proceeding to accurately include the fullest array of costs imposed on ratepayers. We therefore include this issue.

Manufactured Housing proposes that we analyze the costs, benefits and feasibility for SDG&E to provide bill calculation services to mobile home park owners as a part of this proceeding. We agree with SDG&E⁶ that this issue has already been determined to be more appropriately considered in a general rate case proceeding. This is also consistent with the scope for rate design in Pacific Gas & Electric Company’s PG&E) A.04-06-024.⁷ We therefore exclude this proposed issue.

The Commission required PG&E, Southern California Edison Company (SCE), and SDG&E to file applications in response to the December 8, 2004 Ruling by Assigned Commissioner Peevey and Administrative Law Judge (ALJ) Cooke in Rulemaking (R.) 02-06-001. That Ruling stated:

‘We believe the time is now to consider adoption of a new default rate (or rates), tailored to customers with demand over 200 kW, that provides a critical peak price (CPP) signal distinct from the generic peak period. We direct PG&E, SCE, and SDG&E to file applications by January 20, 2005, for

⁵ See Prehearing Conference transcript, p. 9, line 17, through p. 10, line 12., Quoted language, p. 9, lines 23-26.

⁶ SDG&E’s April 4, 2005 *Reply to Protests*, citing D.04-11-033 at *mimeo.* p.31 and Ordering Paragraph 12 at *mimeo.* p.49.

⁷ ALJ Ruling dated March 10, 2005.

implementation by June 1, 2005, that propose new rate schedules for all customers over 200 kW that provide strong peak demand signals... The proposed tariffs should be designed to recover the total revenue, including transmission and distribution charges, currently allocated to customers 200 kW and larger and be class revenue neutral, compared to existing rates, based on current class load patterns.” (Ruling pp. 2-3.)

In D.05-04-053⁸ the Commission determined it could not implement a program for the summer of 2005, so it directed SDG&E to develop a Critical Peak Pricing rate design proposal for 2006 that is in compliance with the decision in a second phase in A.05-01-017 that will address implementation of a 2006 Day-Ahead Critical Peak Pricing mechanism. D.05-04-053 did, however, adopt a Day-Of Reliability Tariff for 2005.⁹ Like all other existing tariffs, rate schedule CPP-E is within the scope of this proceeding and is therefore included. We will exclude consideration of a Day-Ahead Critical Peak Pricing mechanism in this proceeding, deferring to A.05-01-017.

5. Standard of Review

One party, ORA, suggests that the cost allocation issues in this proceeding should be straightforward in light of the settlement of the prior rate design

⁸ Adopted April 21, 2005.

⁹ D.05-04-053 adopts a new non-firm rate: “SDG&E, does not have a comparable non-firm rate to PG&E and SCE. For SDG&E we will adopt the Day-Of Reliability Tariff it proposed in this proceeding (CPP-E). This rate provides a high price critical peak price of \$3.45/kWh for up to 6 hours a day, for a maximum of 80 hours per year over an entire year.”
(p. 61, CPUC01-#193687-v1-A0501016_et al_Cooke_Agenda_Dec_(1st_Rev_4_21_05).
The published decision will control implementation.)

window.¹⁰ This is an inappropriate view. As described in Rule 51.8., the adoption of a settlement in a prior proceeding does not constitute approval of, or precedent regarding any issue in a subsequent proceeding.¹¹ Any party that expects to be viewed as credible must demonstrate that it has performed sufficient current analysis to have an informed basis for the position it may advocate now, regardless of whether it supports the applicant, is in opposition, or proposes to enter into a negotiated settlement.

In order for the Commission to consider any proposed settlement in this proceeding as in the public interest, it must be convinced that the parties had a sound and thorough understanding of the application and all of the underlying assumptions and data included in the record. This level of understanding of the application and development of an adequate record is necessary to meet our requirements for considering any settlement.¹²

¹⁰ Transcript, p. 34, lines 23-26: “(W)e did reach a settlement that covered the calculation of marginal customer and distribution costs. And that is not an issue that we need to look at (sic) this proceeding.”

¹¹ (Rule 51.8) ***Adoption Binding, Not Precedential***: “Commission adoption of a stipulation or settlement is binding on all parties to the proceeding in which the stipulation or settlement is proposed. Unless the Commission expressly provides otherwise, such adoption does not constitute approval of, or precedent regarding, any principle or issue in the proceeding or in any future proceeding.” (Note: Authority and reference cited: Section 1701, Public Utilities Code.) There is no such express provision applicable to this proceeding.

¹² (Rule 51.1) ***Proposal of Settlements or Stipulations*** part (e): “The Commission will not approve stipulations or settlements, whether contested or uncontested, unless the stipulation or settlement is reasonable in light of the whole record, consistent with law, and in the public interest.”

6. Schedule

Application Filed	February 18, 2005 (Friday)
Protests	March 25, 2005 (Friday)
Prehearing Conference	April 13, 2005 (Wednesday)
Scoping Memo	April 27, 2005 (Wednesday)
ORA and Interested Parties Serve Testimony	June 24, 2005 (Friday)
SDG&E Serves Rebuttal	July 8, 2005 (Friday)
Evidentiary Hearings	<p>July 18 - 22, 2005 at State Office Building, 1350 Front Street, Room B-107 San Diego, CA.</p> <p>July 25-29, 2005 at State Office Building, 505 Van Ness Avenue San Francisco, CA.</p>
Concurrent Opening Briefs	August 19, 2005 (Friday)
Concurrent Reply Briefs and Projected Submission Date	September 2, 2005 (Friday)

7. Summary of Recommendations

All Interested Parties serving testimony in this proceeding shall include a table summarizing all proposed recommendations with citation(s) to the proposed exhibit(s) and work papers. All recommendations shall be listed in descending order of monetary impact. Parties should show in separate columns:

- a. Sequential number of recommendation
- b. Short caption of recommendation
- c. Monetary impact, e.g., total value of an adjustment or cost reallocation

- d. Customer or rate classes affected
- e. Exhibit(s) page citation(s) for the primary discussion of the recommendation
- f. Exhibit(s) page citation(s) for the primary presentation of the monetary impact

8. Briefs

To the fullest extent reasonably possible, parties shall use the same outline for briefs. This practice promotes understandability, consistency and completeness. Parties should agree on a common outline for briefs before the conclusion of hearings, and shall bring any unresolved disputes to the attention of the Principal Hearing Officer before the end of hearings. Parties can also assist the Commission by preparing and submitting an up-dated summary of recommendations at the conclusion of hearing as an attachment to the opening brief. This up-date should add: a summary of the party's position on each issue, further references as appropriate (e.g., to exhibits, transcript pages), and any other information the party determines to be necessary and useful to present its position.

9. Final Oral Argument

A party in a ratesetting proceeding has the right to make a Final Oral Argument before the Commission, if the Final Oral Argument is requested within the time and manner specified in the Scoping Memo or later ruling. (*See* Rule 8(d).) Parties shall use the following procedure.

Any party seeking to present a Final Oral Argument shall file and serve a motion with sufficient time for Commission consideration of the motion before

the proposed Final Oral Argument.¹³ The motion shall state the request, subject(s) to be addressed, amount of time requested, recommended procedure and order of presentations, and anything else relevant to the motion. The motion shall contain all the information necessary for the Commission to make an informed ruling on the motion, providing for an efficient, fair, equitable, and reasonable Final Oral Argument. If more than one party plans to move for Final Oral Argument, parties shall use their best efforts to present a joint motion, including a joint recommendation on procedure, order of presentations, and anything else relevant to the motion. A response to the motion may be filed.

If a final determination is subsequently made that no hearing is required, Rule 8(d) shall cease to apply, along with a party's right to make a Final Oral Argument.

10. Intervenor Compensation

The PHC was held on April 13, 2005. A customer who intends to seek an award of compensation should file and serve a notice of intent to claim compensation no later than 30 days after this PHC. (*See* Pub. Util. Code § 1804(a)(1).)

11. Service and Service List

The official service list was created at the April 13, 2005 prehearing conference, and is now on the Commission's web page. Electronic Service is now the standard in the recently modified *Rule 2.3 Service*, and the new *Rule 2.3.1 Service by Electronic Mail*. These rules were effective March 24, 2005. All parties to this proceeding shall serve documents and pleadings using electronic mail

¹³ A specific date may or may not be set by later Ruling.

whenever possible, transmitted no later than 5:00 p.m., on the date scheduled for service to occur. These rules govern service of documents only, and do not change the rules regarding the tendering of documents for filing. Documents for filing must be tendered in paper form, as described in Rule 2, et seq.

Additionally, all filings shall be served in hard copy (as well as e-mail) on the assigned ALJ.

12. Principal Hearing Officer

ALJ Douglas M. Long is the Principal Hearing Officer. (*See* Rule 5(l).)

IT IS RULED that:

1. The final categorization of this proceeding is ratesetting and hearings are required for the purpose of Article 2.5 of the Commission's Rules of Practice and Procedure (Rules).
2. Ex parte communications are permitted with restrictions, and are subject to reporting requirements. (*See* Rules 7(c) and 7.1.)
3. The record shall be composed of all filed and served documents, plus testimony and exhibits received at hearing.
4. The issues and schedule are as set forth in the body of this Ruling unless amended by subsequent Ruling or order of the Principal Hearing Officer.
5. Parties should begin discovery immediately.
6. Intervenors, including ORA, shall include in any testimony served in this proceeding a Summary of Recommendations as described in this ruling.
7. Parties shall use the same outline for briefs.
8. Parties shall follow the procedure stated in the body of this Ruling in making any request for Final Oral Argument. (*See* Rule 8(d).)

9. An electronic Service Protocol is in effect. (*See* Rules 2.3 and 2.3.1.)

10. Administrative Law Judge Douglas M. Long is the Principal Hearing Officer. (*See* Rule 5(l).)

Dated April 27, 2005, at San Francisco, California.

/s/ DIAN M. GRUENEICH
Dian M. Grueneich
Assigned Commissioner

/s/ DOUGLAS M. LONG
Douglas M. Long
Administrative Law Judge

CERTIFICATE OF SERVICE

I certify that I have by mail, and by electronic mail to the parties to which an electronic mail address has been provided, this day served a true copy of the original attached Scoping Memo and Ruling of Assigned Commissioner and Administrative Law Judge on all parties of record in this proceeding or their attorneys of record.

Dated April 27, 2005, at San Francisco, California.

/s/ ERLINDA PULMANO

Erlinda Pulmano

N O T I C E

Parties should notify the Process Office, Public Utilities Commission, 505 Van Ness Avenue, Room 2000, San Francisco, CA 94102, of any change of address to insure that they continue to receive documents. You must indicate the proceeding number on the service list on which your name appears.

The Commission's policy is to schedule hearings (meetings, workshops, etc.) in locations that are accessible to people with disabilities. To verify that a particular location is accessible, call: Calendar Clerk (415) 703-1203.

If specialized accommodations for the disabled are needed, e.g., sign language interpreters, those making the arrangements must call the Public Advisor at (415) 703-2074,

A.05-02-019 DGX/DUG/eap

TTY 1-866-836-7825 or (415) 703-5282 at least three working days in advance of the event.